



HOUSE HEALTH POLICY COMMITTEE

Testimony in Opposition to House Bill 4751 David Jessup, Director of Government Relations Small Business Association of Michigan

November 12, 2013

Good morning madam chair and members of the Committee. My name is Dave Jessup and I serve as the Director of Government Relations for the Small Business Association of Michigan (SBAM). We represent a diverse membership of over 21,000 small businesses statewide. I appreciate the opportunity to come before you today to present a small business perspective on House Bill 4751.

SBAM stands opposed to House Bill 4751. While SBAM supports measures that help lower costs of care and allow increased access to treatment options generally, we oppose any attempt to accomplish this through an insurance mandate. State enacted insurance mandates are a uniquely small business issue due to the fact that medium to large sized firms are governed by federal regulations and thus able to claim an ERISA exemption from any and all state mandates. This exposes two fundamental flaws inherent to any insurance mandate:

1. At best, one-third of the population will be affected by coverage under a mandate. Every Michigander with Medicaid and MI Child, every uninsured, every state worker and generally every employee of a company with more than 50 to 100 employees will be left behind under this plan.
2. With large self-insured companies exempted, the financial burden will exclusively fall on small business owners and individuals and will at a minimum, mean increases in co-premiums, co-pays and deductibles.

Mandated price parity hits small businesses and those purchasing policies on the individual market the hardest. These are the citizens who are most vulnerable to the already rising cost of healthcare and least able to afford the increases in premiums that will be experienced under mandated



coverage. These are small businesses, the economic engine that is helping to drive Michigan's economic comeback through entrepreneurship and job creation. Healthcare costs are skyrocketing due to medical inflation and the new federal healthcare program. In January 2014 these same small businesses will see their premiums increase by 5 to 6 percent as the new taxes and fees brought on by the Affordable Care Act go into effect. A cost-shift resulting from an insurance mandate will exacerbate this very troubling issue that small business owners are confronted with daily.

The legislation could make it more expensive for individual consumers as well. Because it is impossible to predict all the possible variations of health plans that exist, the legislation could potentially result in some enrollees paying higher out-of-pocket costs for drugs depending on how their individual plan was designed.

On average our members pay over \$8,500 per year per employee for health insurance and premium increases are still averaging double digits. Pharmaceuticals represent one of the biggest cost drivers in healthcare today. Specialty drugs, in particular, make up the fastest growing component of these costs. These costs won't just vanish under a mandate. Rather, they will be shifted to small business owners.

Today, the number of Michigan companies with fewer than 50 employees offering health insurance has dipped under 39 percent, which is down 5.4 percent in the last two years. Resources are scarce for small business owners, and when faced with mounting health insurance costs, more and more employers are opting not to offer insurance benefits at all. This hurts Michigan's economic competitiveness and encumbers talent recruitment, all while sending a signal that will discourage entrepreneurs from choosing Michigan as a place in which to start their business.

Thanks you for your attention and thoughtful consideration on this important issue.